Message Text

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INFO OCT-01 EUR-12 IO-13 ISO-00 AGRE-00 EB-08 COME-00 TRSE-00 OMB-01 CIAE-00 INR-10 NSAE-00 STR-07 L-03 /069 W

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R 032057Z MAY 78 FM AMEMBASSY SANTO DOMINGO TO SECSTATE WASHDC 4409 INFO USMISSION GENEVA AMEMBASSY LONDON

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GENEVA FOR MTN

EO 11652 NA TAGS: EFIN, XL, DR

SUB: US/GODR BILATERAL DISCUSSION

REF: A) SANTO DOMINGO 2301, B) SANTO DOMINGO A-21,

- 1. IN ADDITION TO POINTS COVERED REFTEL, U.S. AND GODR DELS TO OAS/CECON MEETING DISCUSSED SUGAR AND DOMINICAN RELATIONS WITH PUERTO RICO.
- 2. SUGAR: LUNCHEON PRESENTED EXCELLENT OPPORTUNITY FOR INFORMAL DISCUSSION BETWEEN WENDT OF US DEL AND FELIPE VICINI OF DR DEL RE CURRENT SUGAR PROBLEM-WORLDWIDE, U.S. AND DR. AT CONCLUSION, OF LUNCHEON, VICINI FOLLOWED UP WITH MORE FORMAL PRESENTATION PLEADING DOMINICAN CASE ON BROAD BASIS OF ECONOMIC THEORY. HIS BASIC POINTS WERE THAT A) CURRENT IMPERFECT MARKET SITUATION SHOULD NOT RESULT IN AIDING INEFFICIENT PRODUCERS TO THE POINT OF DISCOURAGING THOSE WHO ARE MORE EFFICIENT, AS THIS CAN ONLY RESULT IN HIGHER PRICES TO CONSUMERS OVER THE LONG: (B) U.S. SHOULD NOT RELY ON GOVERNMENT-SUBSIDIZED EC OUTPUT AT EXPENSE LIMITED OFFICIAL USE

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OF NATURALLY EFFICIENT DOMINICAN CAPACITY: C) GENERALIZED SOLUTIONS ARE ALWAYS DESIRABLE, BUT IT IS SOMETIMES NECESSARY TO TAILOR SOLUTIONS TO SPECIFICS OF GIVEN SITUATION (IMPLYING SOME SORT OF FAVORABLE CONSIDERATION FOR DR). DEPUTY ASSISTANT SEC ARELLANO RESPONDED BY ACKNOWLEDGING THESEVERITY OF THE SUGAR PROBLEM, NOTING THE STRONG NATIONAL INTEREST REQUIREMENTS OF ALL CONCERNED, AND URGING THAT COUNTRIES PROCEED ON THE BASIS OF AN

UNDERSTANDING OF EACH OTHER' POLITICAL AND ECONOMIC REALITIES. HE STRESSED THAT U.S. CONTINUES TO VIEW ISA AS THE PREFERRED SOLUTION.

3. GODR/PUERTO RELATIONS: MILTON MESSINA, PRESIDENT OF DOMINICAN FOREIGN TRADE COMMISSION, RAISED THE DETERIORATING STATE OF COM-MERCIAL RELATIONS BETWEEN THE DOMINICAN REPUBLIC AND PUERTO RICO. HE CITED INCREASING DIFFICULTIES ENCOUNTERED BY DR IN EXPORTING TOPR. AND CALLED FOR MUTUAL ABROGATION OF "BILATERAL" TRADE AGREEMENT BETWEEN DR AND PR, WHICH, HE SAYS, IS NOT FUNCTIONING (FOR DETAILS, SEE SANTO DOMINGO-21). ACCORDING TO MESSINA, PR PROTECTS ITS MARKETS AGAINST DR EXPORTS WHILE ENJOYING LARGE VOLUME OF SALES TO DOMINICANS. THE PR SALES TO THE DR DO NOT SHOW UP ON TRADE STATISTICS BECAUSE THEY ARE PERSONAL TOURIST PURCHASES MADE BY DOMINICANS VISITING PUERTO RICO. THESE PUR-CHASES, WHICH ARE SUBSTANTIAL, ARE USUALLY EXCUSED FROM HIGH DOMINICAN IMPORT DUTIES AND FEES WHEN CARRIED INTO THE DR BY RETURNING TRAVELERS. AMONG THE SUGGESTIONS MADE INFORMALLY BY USDEL WAS IDEA THAT DR RAISE DUTY-FREE ALLOWANCE FOR RETURNING DOMINICANS IN EXCHANGE FOR BETTER ACCESS TO PUERTO RICAN MARKET. YOST

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Message Attributes

Automatic Decaptioning: Z Capture Date: 01 jan 1994 Channel Indicators: n/a

Current Classification: UNCLASSIFIED

Concepts: SUGAR, FOREIGN RELATIONS, DIPLOMATIC DISCUSSIONS

Control Number: n/a Copy: SINGLE Draft Date: 03 may 1978 Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW Disposition Action: RELEASED Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW

Disposition Date: 20 Mar 2014 Disposition Event:

Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978SANTO02368
Document Source: CORE

Document Unique ID: 00 Drafter: n/a

Enclosure: n/a Executive Order: N/A Errors: N/A

Expiration:

Film Number: D780190-0914

Format: TEL

From: SANTO DOMINGO **Handling Restrictions:**

Image Path: ISecure: 1

Legacy Key: link1978/newtext/t19780597/aaaadesd.tel

Line Count: 83 Litigation Code IDs: Litigation Codes:

Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 642c23a5-c288-dd11-92da-001cc4696bcc

Office: ACTION ARA

Original Classification: LIMITED OFFICIAL USE Original Handling Restrictions: ONLY Original Previous Classification: n/a Original Previous Handling Restrictions: n/a

Page Count: 2
Previous Channel Indicators: n/a

Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: ONLY
Reference: 78 SANTO DOMINGO 2301, 78 SANTO DOMINGO A-21

Retention: 0

Review Action: RELEASED, APPROVED Review Content Flags:

Review Date: 05 may 2005 Review Event: Review Exemptions: n/a **Review Media Identifier:**

Review Release Date: N/A Review Release Event: n/a **Review Transfer Date:** Review Withdrawn Fields: n/a

SAS ID: 2803236 Secure: OPEN Status: NATIVE

Subject: US/GODR BILATERAL DISCUSSION

TAGS: EFIN, XL, DR

To: STATE Type: TE

vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/642c23a5-c288-dd11-92da-001cc4696bcc

Review Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014